

Household Workers

If you hire someone to work in your home, such as a cleaning person, a cook, a gardener, or a baby sitter, there's important information you (and your employee) should know about paying Social Security and Medicare taxes.

Your household employee will be eligible for Social Security and Medicare some day—but only if you deduct Social Security and Medicare taxes from his or her wages, pay the taxes to the Internal Revenue Service (IRS), and report the wages to the Social Security Administration (SSA).

When you report those wages and pay the taxes, your employee gets credits toward all available Social Security benefits. Those benefits include retirement and disability payments for the worker, benefits for his or her dependents, survivors benefits when he or she dies, and Medicare coverage.

This factsheet provides information you and your household worker need to know about paying Social Security and Medicare taxes and earning Social Security credits.

Wages Must Be Reported

If you pay a household worker \$1,000 or more in cash wages during a year, you must deduct Social Security and Medicare taxes and report the wages once a year. This includes reporting any cash you pay to cover the cost of the employee's transportation, meals, or lodging. Failure to report the wages on time may mean you'll have to pay a penalty in addition to overdue taxes.

Are All Household Workers Covered?

When you pay a household worker \$1,000 or more in cash wages during the year, the work

is covered by Social Security. However, special rules apply in the following situations: If you run a hotel, rooming house, or boarding house, **all wages you pay employees must be reported, even if they earn less than \$1,000 during the year.**

- Earnings for household workers (such as baby sitters) under age 18 are exempt from the Social Security tax unless household employment is the worker's primary occupation.

If you hire your child who is 21 or older to perform household work, his or her earnings are covered by Social Security. Household work done by your child who is under age 21 is not covered. Household work performed by your parent may be covered in certain situations.

Contact any Social Security office for more information.

Reporting The Wages

Contact the IRS regarding any necessary reporting requirements or forms. IRS will tell you how to complete forms and when and where to file them. Meanwhile, here are a few highlights you may want to know:

- **Keeping Records**—For Social Security purposes, you need the name, address, and Social Security number of each household worker and the amount of wages paid. Copy the Social Security number directly from the individual's Social Security card. If an employee does not have a card, he or she should apply for one at any Social Security office.
- **Deductions for Social Security and Medicare Taxes**—The 1997 Social Security tax rate, for both employees and employers, is 7.65 percent on wages up to \$65,400. Of that rate, 6.2 percent pays for Social

Security benefits and 1.45 percent finances Medicare's hospital insurance program. If you pay your employee more than \$65,400, you must continue to deduct the Medicare hospital insurance portion of the tax, 1.45 percent, (and pay the same rate yourself) on the rest of the wages you pay the employee.

- **Filing Your Report**—You use your own federal income tax return (IRS 1040) to report wages over \$1,000 that you paid a household worker. As the employer, you pay your share of the Social Security and Medicare taxes, along with the taxes you withheld from the employee's wages, when you file your return.
- **Submitting A W-2 After Year Ends**— You must also give your household employee copies B, C, and 2 of IRS form W-2 (*Wage and Tax Statement*) by January 31 after the year in which wages were paid. Send copy A to the Social Security Administration by the last day of February. You can obtain this form and the instructions for completing it by contacting any IRS office.

How Your Household Worker Earns Credit For Social Security

Household work is credited somewhat differently from other work. In 1997, a person earns one credit for each \$670 of reported earnings, up to a maximum of four credits for the year. The amount needed for one credit will increase automatically in future years as average wages for all workers increase. However, a household worker will earn Social Security credit only for earnings of at least \$1,000 from any employer. For example, a household employee who worked for three employers and was paid \$700, \$800, and \$1,100 respectively (a total of \$2,600) would receive only one Social Security credit with \$1,100 posted to his or her earnings record. The earnings from the other employers do not have to be reported and are not credited for Social Security because the employee was not paid cash wages of at least \$1,000 by either of those employers.

How many credits workers (including household workers) need to qualify for Social Security depends on their age and the kind of benefit they might be eligible for. Most people need 40 credits (10 years of work) to qualify for benefits. Younger people need fewer credits to be eligible for disability benefits, or for their family members to be eligible for survivors benefits if they should die.

Remember, if you don't report the wages for your employee, he or she may not have enough credit for Social Security benefits, or the amount of the benefit may be less.

For More Information

You can get recorded information about Social Security coverage 24 hours a day, including weekends and holidays, by calling Social Security's toll-free number, **1-800-772-1213**. You can speak to a service representative between the hours of 7 a.m. and 7 p.m. on business days. Our lines are busiest early in the week and early in the month, so if your business can wait, it's best to call at other times. Whenever you call, have your Social Security number handy.

People who are deaf or hard of hearing may call our toll-free "TTY" number, 1-800-325-0778, between 7 a.m. and 7 p.m. on business days.

You also can reach us on the Internet. Type <http://www.ssa.gov> to access Social Security information.

The Social Security Administration treats all calls confidentially—whether they're made to our toll-free numbers or to one of our local offices. We also want to ensure that you receive accurate and courteous service. That is why we have a second Social Security representative monitor some incoming and outgoing telephone calls.



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